

Port of Houston Authority of Harris County, Texas  
State of Texas  
Effects of COVID-19  
August 27, 2020

Originally constituted in 1911, the Port of Houston Authority of Harris County, Texas (the "Authority") is an independent political subdivision of the state of Texas, operating as a navigation district under Chapter 5007, Texas Special District Local Laws Code, having boundaries generally coterminous with Harris County, Texas. Governance of the activities of the Authority is the responsibility of the Port Commission composed of seven commissioners.

The Authority is the non-federal sponsor of the 52-mile-long Houston Ship Channel (the "Channel"), which extends inland from the Gulf of Mexico to the City of Houston. The greater Port consists not only of the Authority's public terminals and wharves, but also includes more than 200 privately-owned facilities along the upper half of the Channel. The Port is host to the world's second largest petrochemical complex and is ranked first in the nation for foreign waterborne tonnage, and second in total tonnage.

The Authority owns and operates a diverse group of facilities designed to accommodate a variety of cargo, including general cargo, containers, grain, coal, pet coke, dry and liquid bulk and project and heavy-lift cargo. The Authority continues to make capital infrastructure improvements and will invest up to a billion dollars over the next ten years which will include the current planned project to widen and deepen the Channel to ensure we can effectively and efficiently support current and future demands.

The Authority sponsors a Defined Benefit plan titled Port of Houston Authority Restated Retirement Plan (the "Pension Plan"). The plan was closed in August 2012. Currently, the Plan has the following participation levels:

Participants	August 1, 2020 <sup>1</sup>
Active	318
Terminated Vested	177
Retired	439
Disabled	2
Beneficiaries	111
Total	1,047

<sup>1</sup>Estimated-Unaudited

The Pension Plan's market value on June 30, 2020 was \$185.8 million. The actuarial accrued liability reported as of August 1, 2019 was \$198.4 million, the long term assumed rate of return is 6.5%, and the amortization period is 30 years. The funded ratio at August 1, 2019 was 92.9% and the Actuarial recommended annual contribution was \$5.4 million. The Authority made actual contributions to the Pension Plan for the year ending July 31, 2020 totaling \$10.6 million.

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### **Board and Committee Meetings**

Since March 2020, all Port Commission meetings and all committee meetings have been successfully conducted via teleconference (including both audio and video enabled). These online meetings did not create any financial burdens due to the requirement to engage the Port Commission, Authority staff, and guests through this medium of communication and decision making. As of August 28, 2020, the Port Commission has held four of its public meetings virtually (April, May, June, and July). No scheduled meeting is set for August 2020.

### **State laws Senate Bill 2224 and House Bill 322**

The effects of COVID-19 did not affect the Authority's ability to comply with these new laws. The Authority filed its Pension Plan Funding Policy and its Investment Practices and Investment Performance Report, with the Texas Pension Review Board (PRB) on December 19, 2019 and May 27, 2020, respectively.

Our Pension Plan is well funded and is not subject to Intensive Reviews or Funding Soundness Restoration Plans by the Pension Review Board.

### **Member Services**

All member communication has been conducted via online meetings or teleconference. The participants accepted these methods without issue and the Pension Plan did not incur any additional cost associated with these methods of communication.

### **Office Operations**

The Authority's Executive Office Building is located at 111 East Loop North Houston, Texas 77029-4326. This building provides office space to Executive and Administrative Staff and was officially closed in March 2020. The Authority from an operational standpoint, however, has undertaken business as usual subject to COVID-19 protective measures. The Authority takes its responsibility to move commerce very seriously and the employees and outside labor at the General Cargo, Break Bulk Terminals and the two Container Terminals are working normal operating hours demonstrating their dedication to their work, the Authority and service to the State and Nation.

The Authority, as it contracted with a professional firm specializing in building deep-cleaning, decontamination, and sanitizing, has incurred more than \$3.1 million in COVID-19 related costs to date and is projecting these costs to reach \$4 - 5 million depending on the duration of this pandemic. To minimize the risk to all employees working on-site, the Authority provides: a manned temperature reading at each point of entry point to the Authority property, routine weekly decontamination services, and personal protection equipment to essential employees.

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Most of the occupants of the Executive Office Building have worked remotely since the office closed in March 2020.

### **Technology**

Existing information technology is in use to download monthly statements, submit payment requests, enroll members, updates to member data, transfer funds, and fund monthly benefit payments. No new software was needed to continue or enhance operations.

### **Investments**

The Port Commission as the governing body of the Authority (Plan Sponsor) manages the Pension Plan with a focus on long-term performance and strategy. It is a well-diversified portfolio and although was negatively impacted during the markets' dramatic declines in the first quarter of 2020, it rebounded extremely well and nearly fully recovered as of August 24, 2020. While we weren't immune from the volatility, our portfolio performed to expectations through a negative market. Our conservative asset allocation, including a strategic target of 45% to fixed income was particularly helpful in limiting volatility and preserving capital. The Authority recognizes the uncertainty surrounding COVID-19. As a closed and well-funded plan with a conservative asset allocation, the Authority is not contemplating any significant changes to the strategic asset allocation.

Our investment managers implemented their respective business continuity plans and provided frequent portfolio updates, as appropriate, through our investment consultant. We did not experience any decline in service or communication.

Submitted by:

Port of Houston Authority of Harris County, Texas  
Roland Gonzalez, Director, Treasury